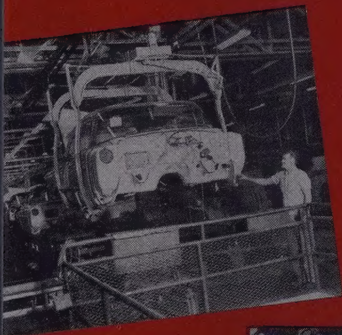
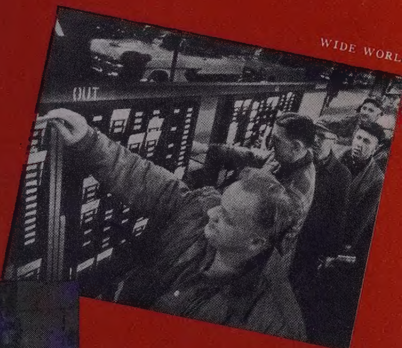
ptember 2, 1959

Investor's Reader

For a better understanding of business news



WIDE WORLD

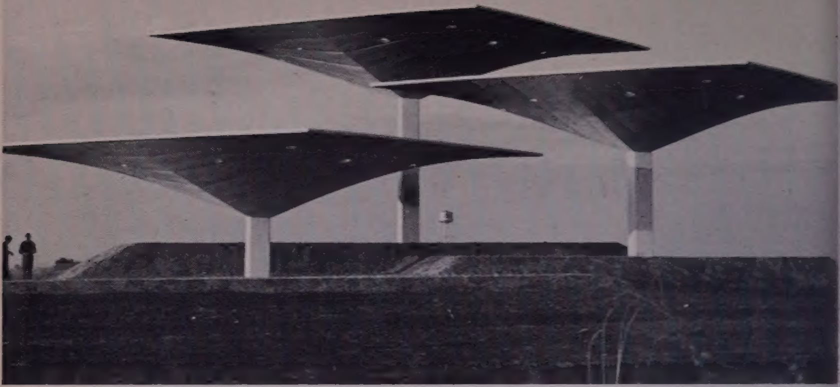


RODUCTION UP 163%

EMPLOYMENT UP 41%

CONSUMER SPENDING UP 294%

ECONOMIC GROWTH SINCE 1929 (see page 1)



GREAT SOUTHWEST UMBRELLAS

These intriguing concrete umbrellas are only a scene-setting decoration near the entrance of the 5,500-acre Great Southwest Industrial District which is set smack midway between the intensely rivalrous metropolises of Dallas and Fort Worth. But inside the Texas-sized project, a series of similar 30-ton, 1,600-square foot umbrellas (known technically as hyperbolic paraboloids) are put to work as an economical yet striking roof over a fancy club, a large restaurant and a 32,000-square foot engineering building.

While still very much in the fledgling state with perhaps a dozen buildings completed, this ambitious industrial-park-with-a-difference does not lack for blue-chip sponsors. Owner is the Great Southwest Corp, a closed corporation which brings together the Wynne real estate & oil interests of Dallas which put up $4,500,000 for the original land purchase, a New York team of Rockefeller Center Inc and Webb & Knapp which chipped in a like amount and a Fort Worth group led by Amon Carter Jr which anted $1,000,000.

The corporation built the 16-mile Great Southwest Railroad (hailed as the first new road in a generation) to connect with the Texas & Pacific and the Rock Island. The property also straddles the Dallas-Fort Worth ("Texas") Turnpike, US 80 and the newly opened north-south Route 360. These rail-truck facilities plus a complex of vast, mechanized warehouses (the first is completed) are aimed to make the District a major distribution center for the entire Southwest, also attract a flock of manufacturing and service industries. Early tenants include Container Corp and US Steel.

But aside from well-landscaped industrial facilities, the Great Southwest developers plan to offer ample restaurant and hotel facilities (the Sherman-Ambassador hotel chain is building a 100-room luxury motel) and a vast "family" recreation & sports area with 64 Brunswick pinsetter bowling lanes (completed) and a Texas kind of Disneyland (on the drawing boards).

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Investor's Reader

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A Reflective Look at the Height of a Boom

Some Statistics of National Progress Since 1929

AS AMERICANS relax over the long Labor Day weekend they can look back on the first two-thirds of a year in which they produced more than ever before in history and look forward to a fourth quarter in which they no doubt will produce still more. In practically every respect, 1959 shapes up as a banner year for the economy after a triumphant recovery from the brief but sharp 1958 recession. Once the steel strike is settled, virtually everyone agrees the pent-up demand will keep the economy rolling at peak rates well into next year.

Today's records tower over previous peaks, including of course the "good old days" of thirty years ago. A few statistical comparisons are tabulated on pages 2 & 3.

Actually many of the gains may be even larger than these statistics indicate. Just last month Federal Reserve chairman William McChesney Martin told Congressmen the Fed statisticians had about completed a thorough updating of the FRB production indices. The revised figure should show total industrial production some ten points higher than the present index. The Commerce Department which regularly revises and refines its economic studies will probably also come out with somewhat higher figures for Gross National Product, national income, etc after its next re-check.

While most people think of 1929 as the year of the stock market peak and crash, it also marked a high for the whole economy. But it took the stock market until late 1954 to re-climb to the 1929 high; most other facets of the national economic life recovered their Depression losses much earlier.

Thus electric power production was back setting new highs in 1935,

Gross National Product, industrial production and factory employment in 1937, steel production in 1940, personal income in 1941. It took Detroit 20 years to top 1929's output of 4,500,000 cars but since then production has slipped only twice (1952, 1958) to slightly below this figure—and caused national consternation by "collapsing" to what once was hailed as a record level. On the other hand, freight car loadings have never recovered their pre-Depression volume and because of changed transportation conditions probably never will.

All in all, it is a mighty impressive array of figures. Of course

THE STATE OF THE NATION AND THE PEOPLE . .

STATE OF THE NATION	Unit	1929	1946	1954	(latest o estimatec 1959
FRB Index of Production	1947-49=100	59	90	125	153
Gross National Product	billion $	104.4	210.7	363.1	485
National Income	billion $	87.8	180.9	301.8	389.4
Cost of Living	1947-49=100	73.3	83.4	114.8	124.5
US Population	millions	122	141	162	177
Employed	millions	47.6	55.2	60.9	67.6
Unemployed	millions	1.6	2.3	3.6	3.7
National Debt	billion $	16.0	259.0	271.3	284.8
State & Local Debt	billion $	13.2	13.6	33.4	50.9
STATE OF THE PEOPLE					
Life Expectancy	years at birth	55.8	65.6	69.6	69.3
Personal Income After Taxes	billion $	83	160.6	256.9	335.3
Total Consumer Spending	billion $	79	147	238	311.5
Consumer Credit	billion $	6.4	8.4	32.3	46.7
Personal Saving	billion $	4.2	13.5	18.9	23.8
Avg Weekly Wage (mfg)	current $	25.03	43.82	71.86	90.09
Avg Work Week (mfg)	hours	44.2	40.4	39.7	40.4
Net Income a Farm	current $	943	2,518	2,440	2,600
Home Ownership (non-farm)	% of families	46	51	58	61
Marriages	per 1000 pop	9.2	16.4	9.2	8.3
Church Membership	millions	59.8	73.7	97.5	112
STATE OF THE HOME (appliances in use)					
Refrigerators	millions	2.0	21.4	41.4	48.3
Home Freezers	millions	Nil	Nil	6.8	10.4
TV Sets	millions	Nil	.01	32.1	44
Room Air Conditioners	thousands	Nil	58	1,800	5,765
Elec Washing Machines	millions	6.6	18.8	36.4	44.9
Vacuum Cleaners	millions	8.6	15	27.9	35
Electric Ranges	millions	.9	4	12.2	16.7
Fry Pan Skillets	millions	Nil	Nil	1.1	17.9
Residential Swimming Pools	thousands	1	7	15	170
Residential Construction	billion $	3.6	4.0	15.4	23.1
New Housing Starts	thousand units	509	670	1,220	1,300
Home Mortgages	billion $	19.7	23.0	75.7	120.7
Trailer Homes built	thousand units	1	60	76	118

nothing is a one-way road up, as witness last year's recession. But while economists recognize the possibility of even more severe recessions, just about nobody expects a recurrence of 1929-32. Today the nation is not rushing pell-mell into new prosperity, oblivious to signs of impending disaster. Rather, it seems to periodically check itself and then continues forward at a healthy clip, turning out cars, potato chips, toys and babies with the ease of a swimmer settled into his second wind.

Perhaps even more than the rest of the economy, the stock market has had its ups & downs. But after the 25-year wait for the Dow Jones

. . . IN SIGNIFICANT YEARS FROM 1929 TO PRESENT

STATE OF BUSINESS	Unit	1929	1946	1954	(latest or estimated) 1959
Steel produced	million tons	62	67	88	?
Cars in use	millions	23	28	48	52
Rail Revenue Passengers	millions	780.5	790.1	439.4	380
Air Revenue Passengers	millions	.2	13.0	35.6	49
Electric Power	million kwh a week	1,733	4,235	8,883	13,502
Avg Price Residential kwh	¢	6.3	3.2	2.7	2.5
Farms electrified	%	9	57	93	98
Kids' Electric Trains	million $	9.6	15.6	50.4	82.5
Shoe production	million pair	361	530	500	640
Hosiery shipments	million doz pair	9.7	12.8	13.1	10.9
Frozen Fruits	lbs a person	Nil	3.1	7.3	9.5
Soda Pop consumption	bottles a person	53.1	125.3	174.2	200
Cigarets smoked	billions	118.6	321.7	368.8	480
Snuff produced	million lbs	41.1	39.4	38.5	35
Potato Chips	million lbs	45	234	450	756
Milk consumption	lbs a person	340	423	348	348
Butter consumption	lbs a person	17.3	10.5	8.7	8.4
Margarine consumption	lbs a person	2.9	3.8	8.4	9.2
Meat consumption	lbs a person	130	153	153	158
Eggs a year	a person	334	374	371	353
Distilled Spirits	thousand of wine gallons	(legally none)	19,248	15,789	17,153
Telephones in service	millions	20	31	53	70
Outdoor Telephone Booths	thousands	Nil	8	75	166
Outboard Motors in use	thousands	684	1,459	3,740	5,525
Indoor Movie Theaters		23,000	19,000	15,000	11,300
Outdoor Movie Theaters		Nil	300	4,062	4,700
Golf Courses in operation		5,648	4,817	5,076	6,000
STATE OF FINANCE					
Dow Jones Industrials	high for year	381.17	212.50	404.39	678.10
Corporate Bond Yield	Aaa %	4.73	2.53	2.90	4.43
Common Stock Yield	%	3.47	3.85	4.70	3.28
Stocks on Big Board	no of companies	846	962	1,089	1,105
Shares on Big Board	millions	1,128	1,771	3,174	5,502
Stock Turnover	%	119	22	19	17
Mkt Value of listed stocks	billion $	65	69	169	310
Broker's Loans (peak)	billion $	8.5	.9	2.0	2.9
Total Corporate Dividends	billion $	5.8	5.8	9.8	13.1
Bank Loans	billion $	35.7	31.1	70.6	104.3

industrials to return to the '29 high of 381, they added almost 300 points more in the next five years. Again it is vital to remember the market will always have setbacks as well as advances. Even more important for naive or forgetful investors, the "market" consists of thousands of individual issues, moving on their own—and quite a number of well-known stocks have not made the long trip back to the 1929 high (IR, July 22) just as others have soared to previously unattained peaks.

More basic even than market value is the growth in the investment field. There are not only several hundred more issues listed on the Big Board than in 1929 but nearly five times as many shares. But even though trading has picked up in the last year the turnover ratio is only 17% so far in 1959 which means on the average only one out of every six shares listed will change hands this year. Yet interest and confidence run high since more people than ever have a stake in the $310 billion worth of shares listed on the Big Board alone.

No one has anything like an accurate idea of how many citizens were stockholders in 1929. But more recently the New York Stock Exchange has conducted periodic censuses which indicate the number of stockholders has doubled since 1952, now stands at an imposing 12,490,000 (one out of every eight adult Americans). Another indication of increased investor interest: Merrill Lynch alone added exactly 27,697 investors to its rolls in July.

One reason for more investors is more and better-paid workers—even if the jobless figure is still higher than anyone likes. While it is true the much-talked-about cost of living has risen 70% in 30 years, the average American's income after taxes has climbed 2½ times that amount.

The scientists have not added any years to life expectancy lately (but the latest full year available is 1957 and reflects the Asian flu epidemic). And whatever the short-term fluctuations, nearly 14 years have been added to the average lifetime within the past 30 years. While travel is at an alltime high, trips to the altar are fewer than in postwar 1946 (few Depression babies for one thing).

With more leisure, lifespan and money, recreation has become a multi-billion-dollar industry. The US indulges itself in private swimming pools (IR, May 27) and outboard motors (see page 6) without seeming frivolous, builds golf courses to the tune of 300 this year while automated bowling lanes are laid by the thousands.

The populace eats more meat and less butter (margarine has triumphed), owns more washing machines than vacuum cleaners. All told, folks spend almost four times as much money as they (or their parents) did 30 years ago but salt away more than 5½ times as much in savings. They also owe six times as much. But if fancier equipment and more conveniences are often made possible by a consumer debt of $46.7 billion, they can say—Why not? Uncle Sam has a debt over six times that much.

UTILITIES
The Cool Revolution

FIVE SQUARE MILES of the world's biggest city stumbled and sweated in powerless darkness one night two weeks ago. At least a major contributor to the 13-hour power breakdown was the fact just about everyone who could turned on his air conditioner to seek relief from the season's worst heat wave; amid the unprecedented demand for juice six Consolidated Edison cables burned out. Aside from the discomfort, the unpleasant incident pinpointed most dramatically the revolution in electric requirements.

Time was when peak electric demand was invariably set late some dreary winter afternoon a little before Christmas while shoppers thronged brightly-lit bazaars, housewives flicked the light switch as they began to cook dinner and husbands completed their tasks in humming factories and offices. In summer many a generator idled.

The winter peak is still there but for the past ten years records have been set in leapfrog fashion with the winter top surpassed at the height of the next air conditioning season followed by a yet higher peak the next winter.

In addition to improving the seasonal pattern, air conditioners are utility company pets because of their huge power appetite. According to the industry's Edison Electric Institute, today's average air conditioner operates at only 1,105 watts, hefty compared to lightbulbs or even the TV set (225 watts) but only a little more than a hand-iron (1,035 watts) waffle iron (1,050) or toaster (1,095). It requires less wattage than a frying pan (1,150), hot plate (1,240) or broiler (1,355), not to mention an automatic ironer (1,525) or clothes dryer (4,710).

But while most of these appliances are operated only occasionally and for brief periods, air conditioners are left on for hours at a time and even around the clock when the thermometer boils. Thus the average air conditioner will use 1,135 kwh this year compared to 910 kwh for a dryer, 860 kwh for a freezer (constant operation but only at a 300-watt rate), 130 kwh for an iron and only 35 kwh for a toaster. In fact total lighting for the average home comes to only 500 kwh, TV use to 325 kwh. The only larger juice devourers in the Edison Electric lists are such specialties as an electric range (operates at 11,610 watts, uses 1,225 kwh for the year), a water heater (3,950 kwh) and of course a heat pump (14,635 kwh).

The one drawback from the utility viewpoint is air conditioner usage is concentrated in a 90-day or so period in most of the US. As the trend toward electric cooling continues, it could create a summer peak pattern almost as lopsided as the old winter one. To combat this, many power companies aggressively promote electric heating (in addition to such year-round consumption kings as electric cooking and water heating).

For the long-term they put their

hope on the heat pump (now mainly in Florida and Southern California) which provides all-year temperature control and hefty all-year utility revenues. Brightest prospects for both heating and heat pump of course lie in regions with mild winters (like the South) or cheap power (Northwest). Higher-cost areas like the Northeast may have to settle for bigger air conditioning peaks.

RECREATION
Outboard Marine Outlook

THE BIGGEST motor manufacturer in the multi-billion pleasure boating industry is Outboard Marine Corp of Waukegan, Ill. The company (which shortened its name from Outboard, Marine & Manufacturing in 1956) produces both Johnson and Evinrude engines in sizes from 3 to 50 hp. It also puts out a lower-priced line called Gale-Buccaneer and is the manufacturer behind many leading private brands. President William Charles Scott admits: "We must have something over half of the total market."

The market proved lucrative this year and Outboard Marine's volume zoomed to alltime highs as its sales for the nine months to June gained 3.6% to $133,400,000. Profits for the period recovered to $11,500,000 or $1.47 a share from 99¢ a share netted the year before though still a few pennies behind 1956 and 1957.

For the year ending September 30 president Scott expects record volume of "around $170,000,000" to cap a decade of amazing gains. Volume will have multiplied six times since 1950, doubled since 1955. Bill Scott places 1959 profits "in the area of $1.70 a share" or roughly the same as the two previous peak years: fiscal 1957 when profits reached $13,100,000 or $1.67 a share and 1956 with a net of $12,100,000 or $1.69 on fewer shares. Last year earnings dipped to $1.16 a share (even so nearly triple the 1950-53 level) and company officials attributed the drop more to start-up expenses on some new motor models than to the recession.

Certainly the recession did not stop Outboard from continuing its string of yearly sales gains. In 1958 it upped volume 5.5% over fiscal 1957 to $158,700,000. Bill Scott relates: "We certainly went against the stream last year. The same thing happened to our sales in other recession years such as 1954."

President Scott philosophizes: "We are not so much competing with other outboard manufacturers as we are with other ways of spending money. The boating field is a long way from saturation, unlike the auto or washing machine industry. Now if someone can afford either a boat or a new car when money is scarce he is more likely to buy a boat and motor since such a person would already have a car and could defer replacing it for a while."

Outboard motors contribute over four-fifths of the company's total volume. The remaining business comes chiefly from Cushman motor scooters (also golf and mail carts), Lawn-Boy power mowers and Pioneer chain saws. The latter product

Fishermen, fish and Evinrude

is described by prexy Scott as "the only really 'essential' one we manufacture but due to inactivity in the pulpwood industry the Pioneer Saws subsidiary operated in the red last year." He blamed this loss along with "tooling-up costs which were double normal costs" for the 30% drop in 1958 earnings. The tooling-up was for new 35 and V-4 50-hp engines introduced in September last year.

Outboard again plans to bring out "a new motor sometime this month" but the tooling and production start-up charges "will be normal for fiscal 1960." And the 47-year-old president is most optimistic about the decade ahead. "With more leisure time and disposable income I see no reason why we should not participate in the so-called golden years of the Sixties."

He also looks to foreign operations for substantial gains. Outboard Marine of Canada in Peterborough, Ontario makes all the company's products except the Cushman power-driven vehicles. "The Canadian subsidiary has made money every year since its inception in 1929 and now represents about 10% of total sales."

A plant in Belgium finished in May 1958 assembles Johnson and Evinrude motors; "other company products will be added in the future." Bill Scott adds: "Our foreign sales are also increasing every year and I expect they will show a 15% gain this year."

To cash in on growing markets at home and abroad Outboard Marine "needs its profits for further expansion." Therefore even though the annual dividend has been liberalized in each of the past six years

to the present 20¢ quarterly rate, Bill Scott claims he does not "anticipate any increment this year." At this rate the 7,800,000 Big Board-listed shares (over a third are closely held) yield just under 2½% at current levels near 33. In the past decade the stock had climbed sharply with few interruptions from an adjusted price of 1 in 1949 to a high of 37 in mid-1957. But in the bear market of late 1957 the price dropped by half in barely four months before starting on a new, long climb to this Summer's high of 39.

TRANSPORTATION

Hertz Drives Itself

AFTER a downhill detour in 1958, the $103,000,000-assets Hertz Corp—which makes its money letting others drive its fleet of 22,800 cars and 15,100 trucks (plus perhaps another 16,000 vehicles owned by licensees)—is back at the wheel setting a fast financial pace of its own. Hertz (IR, Oct 16, 1957) is the erstwhile Omnibus Corp which completely changed its driving technique in 1953 and 1954 when it bought the Hertz car & truck rental operation from General Motors and sold its bus lines. The Hertz purchase gave Omnibus a new business, a new name and a new president—Walter L Jacobs who originated the car rental business in 1918 and has stayed with the operation throughout.

Since Omnibus stepped off the bus to hitch a Hertz ride, the company's revenues raced from $21,700,000 in 1954 to $90,600,000 in 1958, including a 15% gain last year. But profits, after shooting from $1,280,000 (53¢ a share) to $5,700,000 ($1.92) in 1957, dropped back to $4,750,000 ($1.47) last year. However the decline was more than made up in the first half of 1959. The period was by far the best ever with revenues up 20% to $52,600,000 and profits of $1.04 a share *v* 52¢. And without making any specific full-year prediction, 63-year-old Jacobs quietly added "seasonal influences have historically produced larger revenues and profits during the second half."

Such joyous news for Hertz's 6,000 shareholders has already been at least partly discounted by the 3,340,000 Hertz shares. After a determined rise from an adjusted price of 4 in 1954 to 30 in early 1958, the stock settled back to 24 but late last year began a new rise which carried it to an alltime high of 46⅞ this April. Since then the stock has settled back to around 39. It pays $1 annually for a yield of approximately 2½%.

Used Gains. The Hertz halt last year was only in part due to the recession. Another major factor was the early-1958 freeze which killed the Florida tourist crop, left hundreds of shiny Hertz cars idling in parking lots, running up husky depreciation charges each day. In addition the used car market had slumped badly and this is usually a major source of Hertz proceeds since the average car is retained only ten or eleven months, then sold at well above depreciation value for a juicy, low-taxed capital gain.

The used car sales are of particu-

lar importance to Hertz profits because the company, like others engaged in fields with frequent turnover of equipment, uses "double declining balance" depreciation. By extra heavy write-offs in the beginning a maximum amount of taxable income is shifted from regular operating earnings to the more lenient capital gains category.

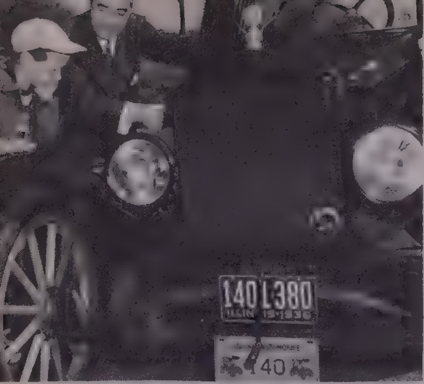
The tax-hungry Revenooers frown on the interpretation followed by Hertz and friends. This July Hertz lost an Appeals Court decision (which overturned a friendlier District Court ruling) but the final argument must be settled by the Supreme Court. An indication of Hertz's stake in the outcome: in the first half of 1959 alone its depreciation method saved it $850,000 (26¢ a share) in Federal tax.

Rental Rise. On the operations side all the 1958 deterrent factors improved substantially during the second half last year and by now all divisions are running at record levels. Biggest gain of all was scored by the Rent A Car division (47% of total first half volume) which for the first time nosed ahead of truck leasing (43% of volume) as the top Hertz activity. The full-year 1958 results still showed truck leasing ahead by 47% to 44%; in 1953 the figures were 68% truck leasing *v* 29% car rental. Of course one reason is increased emphasis on directly owned car rental outlets instead of franchises in key cities.

Rental is the one-day or short-term use by the do-it-yourself driver; leases cover long periods, usually a year or more and are mostly to operators of a fleet of vehicles. Cars can also be leased, often by organizations with a huge sales force; but while in the total car-for-hire industry far more cars are leased than rented, drive-yourself pioneer Hertz continues to cater to the short-term renter, gets only 8% of total business from car leasing.

Cost-conscious Jacobs is particularly proud the improved 1959 volume "has been achieved without a corresponding increase in the size of our fleet." This profits-spelling "increased vehicle utilization" stems from "a policy of tighter fleet balance." Walt Jacobs acknowledges this policy, while essential for "attainment of sound profit margins," entails "occasional inability to meet non-reserved peak period Rent A Car demand," consequently urged stockholders and other "customers to make advance reservations."

The tighter-balance policy has not stalled car purchases where adequate round-the-week demand exists. In fact, the Hertz fleet has expanded roughly 10% so far this year. Alert to the economy trend and "our responsibility for industry leadership" Hertz Corp has already ordered an initial 3,000 of the Big Three's new compact cars (Hertz licensees are expected to pick up another 1,500). Hertz men hope "we'll be able to rent them out at lower rates than present standard cars" but shy from any definite figures since among other points "the manufacturers haven't set their prices on the new cars yet." Walt Jacobs feels "these smaller and more economical automobiles may play an important



Jacobs shows 1918-style Rent A Car

role in the future of our Rent A Car operations, particularly in congested Metropolitan areas."

Insured Expansion. In speeding along the growth highway, Hertz seeks to expand into new areas, both geographic and operational. In 1956 it took over Atlantic National Insurance Company which now writes insurance not only for Hertz vehicles but also for some large fleet operators. Despite the auto insurance industry's well-publicized problems with claims mounting faster than premiums, Atlantic National has managed to operate in the black.

Late in 1957 Hertz formed a 51-49 partnership with American Express, set up Hertz American Express International to operate a car rental business throughout the world. Despite starting expenses, etc, Hertz International turned a "modest profit" in its first year of operations, is accelerating this year with advanced reservations for cars in overseas cities up 40%. Directly or through licensees Hertz now operates in 325 cities in 40 countries (15 of them in Europe). Recently it has stepped up its Latin American coverage with entry into Argentina and Uruguay and another Mexican branch at Monterey. Elsewhere within the past month the twelfth African location was opened in Capetown while another franchise holder started service in Portugal.

Strictly a long-range project is the Rent A Plane unit started May, 1958. But Hertz wanted to be in at the beginning of this logical if long-range extension of its highway business; besides, the plane rental stations (nearly every one a Cessna dealer) are all licensees so it involves only limited administrative expenses for the parent corporation.

Yet another new venture may be underway. This Summer president Jacobs suggested Hertz was "actively considering" the heavy equipment rental business. With "renting and leasing of almost anything now taken for granted," he figures appliance, office and heavy equipment rental "is bound to become as big as truck leasing is now." But while Hertz is obviously experienced in the rent & lease business, it also realizes the field would involve many new problems and studies are "still very exploratory." Some Hertz men guess a decision one way or the other is likely early next year.

OFFICE EQUIPMENT
Business in Form

BY & LARGE, most companies have written reports of rising sales and earnings in the first half of 1959. No exception are the business forms makers which earn their increasingly lush living by enabling the other companies to register their

results. They supply the sales slips, invoices and countless reams of intra-office schedules without which no business or Government seems able to operate today.

According to the Business Forms Institute, industry sales of business forms in the first half of this year were 13% ahead of the similar 1958 period; full-year totals are expected to pile up well above the $350,000,000 sales of last year. A large portion of this business forms business is done by small, privately-owned outfits. But the published performance of the industry's "Big Three" — Moore Corp, Standard Register and Uarco—gives ample support to the industry uptrend. While even with their seemingly recession-proof product profits were hit in 1958, current results again trace a form-fitting growth curve.

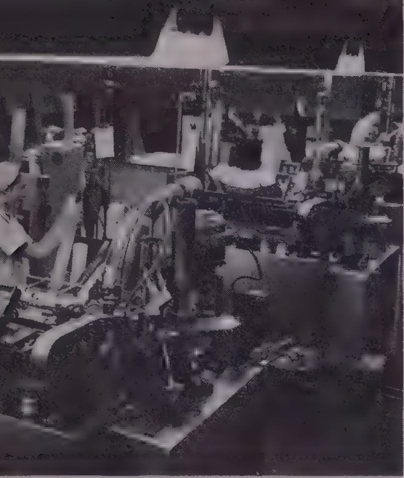
For instance, Canadian-based industry leader **Moore Corp Ltd** (over 85% of sales come from supplying US customers) reported fat first half sales of $70,000,000 *v* $62,400,000 in 1958; earnings totaled $5,700,000 or 87¢ a share compared to $4,620,000 or 70¢ (adjusted for a 3-for-1 split this May). Moore had fared better than its confreres last year with earnings of $1.53 a share *v* $1.64 in 1957.

More spectacular gains were printed by the **Standard Register Company** of Dayton. Six-month volume was up 14% to $26,700,000 while earnings advanced 140% to $1,930,000 or $1.94 a share. In fact, the six-month profit is already ahead of the $1.91 a share netted in the entire twelve months of 1958 and well on the way toward matching the 1956 record of $2.56 a share. Although president Milferd Aaron Spayd points out the third quarter will reflect the company's three-week plant vacation shutdown, he notes "incoming orders are substantially in excess of the trend a year ago * * * our expanded plant capacities are continuing to reflect increased efficiency * * * For the balance of the year we confidently expect good operations with satisfactory earnings."

Chicago-based **Uarco** finished its third (June) quarter with nine-month sales of $29,200,000 against $27,100,000. Earnings moved up smartly to $1,800,000 or $3.37 a share compared to $1,460,000 or $3.17 a year ago. In the June quarter, Uarco shipments were 15% ahead of the comparable period last year, produced profits of $1.28 a share against 82¢. Hence even though chairman Walter R and president Gregson L Barker expect the fourth quarter, normally the lowest because of vacations, to produce results only about equal to last year's 91¢ a share, the company should show a good advance over fiscal 1958's $4.08 a share and start to climb back toward the 1957 peak of $5.84.

MANUFACTURING
Seal-Kap's Varied Fields

IN MOSCOW'S FAIR last week three live US capitalists, members of the Young Presidents Organization, genially answered the questions of quizzical, eager Russians. One of the trio was Eli M Black, chairman & president of American



Seal-Kap cup assembly

Seal-Kap Corp. Just before leaving on his businessman's trip, executive Black at his Chanin Building headquarters discussed the outlook for Seal-Kap, a New York-based company which (through a predecessor) started in the milk bottle cap business in 1921.

First, Eli Black recalled his plan of attack when after some ten years as an investment banker he became chief executive officer of Seal-Kap with its "stable but becoming static" business. (He joined the Seal-Kap board in 1952, went to work full time as chairman three years later.) "We took a two-pronged approach. One was to build up our existing product and the second was to gain some growth aspects through acquisitions."

The chairman-president proceeded to point out the results: "Four and a half years ago we had one business and one product with sales less than $5,000,000 annually and earnings under $150,000. This year volume from our four operating units will be in excess of $35,000,000 and the consolidated earnings will be around $1,250,000 or $2 a share."

Unfortunately the profit picture at AMK (ticker symbol on the American Stock Exchange) has not always been as bright. Adjusted for stock dividends (the company has added 5 or 6% in stock to a modest cash disbursement for eight years) AMK net dropped in president Black's first year (1955) to 14¢ a share from 60¢ a year earlier. Afterward however profits steadily progressed to $1.09 in 1957 only to be interrupted by the 1958 recession when earnings dropped to 8¢ a share.

Ironically, the bulk of the 1958 dip was caused by the recently acquired subsidiaries to which chairman Black looks for substantial long-term gains but which also are rather recession vulnerable. Worst hit were 92%-owned Chicago Railway Equipment Company and 50%-owned National Rubber Machinery Company.

At National Lock Washer (acquired in 1956, now a wholly owned division) profits "declined to a lesser extent." Sales of spring washers and retaining rings used in agricultural & auto equipment and many types of machinery dropped substantially but Lock Washer also has an electronic unit. It makes resistors, rheostats and potentiometers which remained "largely unaffected" by the recession.

Though "rubber machinery orders practically disappeared," president Black reports "we went ahead on heavy engineering & research and it paid off. We brought out a new,

more automatic rubber press called Autoform [presses rubber in cask shape into tires]. Its reception has been perfectly marvelous. National Rubber now has an $8,000,000 backlog compared with $1,600,000 a year ago. Since this type of tire machinery receives heavy use there is also a great replacement market."

Chicago Railway Equipment ("Creco") likewise looks to the replacement market for its braking equipment while also "getting a good share of the new freight car business." This subsidiary will make the most dramatic gains over 1958; sales will probably double. A new disc brake under development should add to profits within a few years.

Emphasis on development & research is prominent in all of AMK's operations. In fact "50% of current business comes from products brought out in the last five or six years." The packaging division which consists of American Seal-Kap of New York (the parent is a Delaware corporation) plus 1952-formed Constellation Cup now has sales around $8,500,000. The first new product in this division was a plastic-lined hot drink cup which "became popular within a year." AMK then devised a dripless lid for coffee containers which fits over the lip of the cup. It received "immediate acceptance" and now AMK makes the lid for all major cup makers as well as for its own containers.

President Black is most enthusiastic about two other packaging developments not yet in full production. One is a seamless container made by a process similar to that of drawing steel; the second, a round container which can be shipped flat. After arrival the top and bottom are inserted in one step by a new AMK machine.

To tap the fast-growing Western market the AMK packaging division is building a plant in Compton, Cal. "Shortly after we open the doors [late this year] we will be making money" for AMK already has a major contract to make all the lids for a "big container manufacturer on the Coast." Within a year "the plant will be doing a few million dollars worth of business."

Even before the California addition starts on this fast pace, AMK business has snapped back smartly. Profits in the first quarter of 1959 alone were far higher than for all of 1958. The second quarter was better yet and the six-month report shows sales up 36% to $16,400,000 and net of $573,000 or 81¢ a share *v* 6¢ on fewer shares in the first 1958 half.

AMK stock has taken this improvement into account. The 647,000 shares nearly tripled from last year's low of 8 to a recent high of 21, have since settled back to around 17.

The company has paid some cash dividend in each of the past 26 years. But figured on the present 20¢ annual rate the stock yields a meager 1.2%. However Black admits the directors will consider extra cash at the year-end, "especially if earnings reach our expectations." And barring any excessively protracted steel strike, he adds optimistically: "Since profits are on an accelerated rise in the second half, we could even do a little better than $2 a share."

WE HEAR FROM . . .

For the past 14 years the policy of this section has been to print only letters of criticism or additional information. Because they would add little to the knowledge of readers, our numerous complimentary letters will be included only on rare occasions.

Wrong Dust

CHICAGO

GENTLEMEN:

Your July 8 issue which included your write-up concerning Goodman Manufacturing was an interesting account but two errors appeared. One involves your reference to $1.14 a share earned in 1957. The figure should be $4.14.

The second error is of a minor nature. The machine shown in your picture is a mobile loader which is not equipped with a Bugduster. The Bugduster unit is used only on machines that undercut the coal seam.

Very truly yours,
C M GRAHAM
Goodman Manufacturing Company

Our apologies for a typographical slip which trimmed a 4 into a 1 in the earnings figure and for attempting to dust bugs from above the coal seam.—*Ed.*

Atomic Charge

SAVANNAH, GA

GENTLEMEN:

Your July 22 issue with the "Atoms Afloat" article made an especially good impression on me because * * * I was one of nearly 60 Savannahians privileged to witness the launching of the NS *Savannah* on July 21 at Camden, NJ.

I believe it was Mr McCone, chairman of the Atomic Energy Commission, who said at the launching exercises that the *Savannah* would be propelled by a ten-pound charge of U-235; this will take her 300,000 miles. And when she returns for a re-charge, about four pounds of the original charge will still be intact!

Very truly yours,
I A METZ, JR, executive director,
Savannah Chamber of Commerce

Thanks to proud Savannahian Metz for this dramatic data on the truly compact power of the Atom Age.—*Ed.*

Electric Living

ST PETERSBURG

GENTLEMEN:

The inside back cover of the August 5th issue showing the changes in various cost-of-living components is very, very interesting. Why did you leave out the electric service statements? Surely you must know that a person's electric statement is an index of his standard of living.

I am in no position to say whether the cost is up or down since 1954 for the inflationary trend has hit the utilities too, but I dare say the cost of electricity is not up as much as telephone, hair cuts or even cigarets.

Having been an avid reader of your wonderful magazine since No 1, Volume 1, this is the first slight criticism I have had for your newsy magazine.

Very truly yours,
J K FLANAGAN, vice president
Florida Power Corp

Because of the limited size of an IR page, we could list only a few representative items and many other cost-of-living factors had to be omitted. While electric rates have risen a bit, powerman Flanagan has a good case as regards the little-inflated cost of juice. Based on 1947-49=100, cost of electric services has risen from 104.7 in 1954 to 110.1 in the latest quarter, an increase of 5%. During the same period gas costs rose from 111.2 to 129.4, an increase of 16%.

And perhaps because vastly increased usage, especially in low-cost power areas, put a greater part of most bills into the cheaper mass-volume brackets, the average cost of a kilowatt-hour has actually gone down 22% since 1946—not to mention 60% since '29 (see page 3).—*Ed.*

Turnpike Tolls Tally High

Bondholders Gladdened By Improving Trends In Many Toll Roads

LABOR DAY weekend drivers, as they may realize when they confront each other in record numbers, will add their dimes and dollars to the most remunerative summer to date for the nation's toll roads. Traffic on the turnpikes was up 7% in June over the recession-plagued June of 1958. Later figures for individual roads show even larger increases for July and early August.

This improvement understandably pleases the toll road bondholders whose money made construction of the roads possible. But it is not necessarily reflected in the prices of the bonds. Indiana Toll Road 3½s for instance are 84 bid, down from 90 in early April, though the road has shown an improving earnings trend. Main reason: general pressure on the bond market which has overshadowed the improving earnings trend in the toll roads.

In some issues of course a disappointing earnings record has also taken its toll. But investment men contend an improving traffic trend should ultimately be reflected in the price of many of these bonds.

The big reason for accelerated earnings of toll roads is the nation's sharp recovery from the recession. Industrial and commercial concerns are doing more trucking over the pay-as-you-go superhighways—12% more in June 1959 than the like month last year. More vacationers and commuters are swelling the passenger traffic totals. For the moment the only dissonant note in a generally improving cash register tune is the steel strike which naturally is curtailing some truck and commuter traffic in both steel and related industries.

In their short history the big toll roads have had some ups and downs which their smooth curves and gentle slopes would not indicate. Granddaddy of them all, the Pennsylvania Turnpike which cuts through the Allegheny Mountains, demonstrated how valuable a modern superhighway could be to its users: it became by far the biggest corridor for truck traffic over the Alleghenies. The New Jersey Turnpike showed a well-placed toll road which bridges a crowded industrial state could also have spectacular financial success. Result: a flurry of some 17 additional major toll roads built in less than ten years.

The swelling wave of new toll road financing came to a halt in 1956. That year several new tollways showed traffic—particularly truck traffic—below engineers' estimates. Construction costs were rising. Costs of borrowing money through public sale of bonds were climbing. The clincher came later that year with the passage of the Federal Highway Act of 1956 which aims to build a nationwide network of free roads of toll road quality. Since then a few toll road issues have come to market but they were for extending, completing or improving existing roads—or for building a wide var-

iety of bridge or tunnel projects.

Page the Truckers. Toll authorities challenged by less-than-anticipated truck traffic reacted with considerable enterprise. They revised their rates to provide volume discounts to truckers and sent their men on countless visits to sell the truckers on the advantages of toll roads. Now, with the economy on the upswing, the results of these labors become increasingly evident.

Take for example the Ohio Turnpike which opened in 1955. A level east-west road, it encountered trucker resistance from the beginning. Free parallel roads already in use were adequate, the truckers claimed. In May 1957 the turnpike commission raised passenger car fares and gave volume discounts to trucks. This has stimulated a 42% rise in truck revenues since the first half of 1957 while the take from passenger cars (despite the higher fee) rose only 11% in the same two-year period.

The Indiana Turnpike profited from Ohio's example and gave volume discounts and other inducements to truckers. Even so it got off to a slow start but after active proselytizing managed to boost traffic 28% in the past year and a half. A rate hike for both trucks and cars this January further boosted revenues. With a mighty effort and a 50% improvement in truck intake, 13% more from cars, net revenues for the twelve months ended July exceeded $10,000,000, for the first time topping the annual interest requirement.

Sharpest improvements in traffic this year have come in the Texas, Florida, Kansas and Kentucky turnpikes with increases ranging from 10% to 23% in June compared with a year earlier. Overall revenues have picked up even faster, chiefly due to a number of toll boosts. Biggest increase was on the New York Thruway which racked up a 40% dollar gain in the first six months thanks to a major upward revision of rates

accompanied by an increase in traffic and the opening of several extensions.

There are 17 major toll roads dependent mainly on their toll and concession revenues to pay off their bond issues. Of these five are covering their interest and are storing up funds to retire outstanding bonds or are actually retiring some. These are the Florida, Jersey, Ohio and Turner (Tulsa-Oklahoma City) Turnpikes and the 327-mile mainline of the Pennsylvania Turnpike covered by the 1948 bond indenture.

Another five are covering their interest but are not yet able to set aside much money for repayment of principal. These are the Indiana, Kentucky, Maine, Massachusetts and Texas Turnpikes. Of these, all but the Maine have been showing steady traffic improvement, a vital point since it gives some promise revenues may grow to meet bond retirement schedules—if the trend continues. The 35-mile Richmond-Petersburg Turnpike in Virginia earned 74% of its interest requirements in its first full year (ended June 30) but earnings showed a rising trend as the year progressed. In similar fashion, the Kansas Turnpike, which runs southwest from the two Kansas Cities, earned 78% of its interest requirements in the twelve months ended June 30, saw June's total rise a shade over average monthly interest needs.

Page the Relatives. Two sections of existing turnpikes have rich relatives which may help them out. The Will Rogers Turnpike in Oklahoma, now not quite earning its interest requirements, will ultimately benefit from Turner revenues if necessary, but not until the Turner bonds are retired (by sometime in the Seventies at the present rate).

The same holds true for the extensions of the Pennsylvania Turnpike built under the 1952 indenture. Once the 1948-indenture bonds are retired (another seven or eight years at present pace), the 1952 bonds will receive the income of the entire 469-mile Pennsylvania network. Meantime the modest proceeds from the 1952 section plus a hefty reserve should keep the junior bondholders in coupons.

Three roads are trouble spots in the revenue bond-financed group. They are the Chicago-Calumet Skyway, the Illinois Toll Highway system and the West Virginia Turnpike. The Chicago-area road systems have not been in use long enough to give comparisons of one full year against another but results to date fall short of interest requirements, not to mention engineers' estimates. Annual interest requirement for the Calumet Skyway is $3,584,000. Income before debt service for the twelve months ended June 30 was $1,380,000.

The Illinois Toll Highway system, which has $441,000,000 bonds outstanding, needs $1,432,000 monthly to cover interest requirements. It earned $1,217,000 in June (usually a good toll road month). Interest through July 1, 1960 is covered by cash set aside from the sale of bonds —which also means whatever earnings come in meantime will go into the kitty for subsequent payments. Both the Calumet and the Illinois

Toll roads are aggressively seeking new traffic and both stand to gain from linkups with the Cook County Expressway system now being built.

The West Virginia Turnpike has won a sort of fame as the first toll road actually in default on its interest payments. The 88-mile road, sliced through the mountains from Charleston to the southeastern part of the state, has drawn a little less than half the traffic it was expected to. Three interest payment dates have been missed so far. The first two defaulted coupons have been paid (No 2 just last month, eight months behind schedule); enough money for the June 30 coupon will probably be on hand some time late next Spring. Thus payments slide steadily further behind.

Page Washington. Fervent hope of West Virginia and its Turnpike bondholders is that the Pike will be included in the Federal Highway program and feeder roads be built from southern Ohio on the north and into Virginia and North Carolina to the southeast. This would fulfill its purpose as a major North-South route. The Federal Government has indicated it is likely to include the road but has made no definite commitment.

Effect of the Federal Highway Program on other toll roads is still up in the air. Congress had not decided by presstime how to appropriate money to get the almost-halted program back into action—much less has it been able to tackle the controversial issue of how states should be credited for toll and superhighways already built. In any case, when (and perhaps if) the Federal program resumes, the Government has resolved not to build roads which offer undue competition to existing toll roads.

Just as the Pennsylvania and Turner Turnpikes may have to help out their extensions, so the New Jersey Turnpike may have to pay for its success. The state government has devised a plan for using the toll road's surplus revenues—it earns more than double its interest requirements—to help alleviate New Jersey's pressing commuter railroad problems. Specifically, the surplus would be distributed to municipalities which could then lower their taxes on railroads, giving rail companies more working capital. The proposal is likely to go before Jersey voters in the Fall.

Then it must be approved by the bondholders and this could bring headaches. The state would put its unconditional guarantee behind the bonds in return for bondholder surrender claims to the reserve funds. But this would mean a wait until full maturity to retire the bonds rather than retiring them early as excess earnings permit. The effect would cut the yield of the bonds. The 3⅜s for instance at their recent price of 95 would yield 4.10% to the 1968 call date. To full maturity in 1988, they would yield only 3.65%.

Director Herbert Thomas of the State Highway Commission's Transportation division says: "We recognize that it is a real problem, but we must first get the permission of the state's voters * * * before we can talk intelligently to the bondholders."

BIGELOW ON THE SHOULDER

The material from which this young miss is fashioning a modern-day toga is far different from the Roman original. For one thing, the current version "essentially eliminates" shrinkage and resists wrinkles. It is spun from a revolutionary polynosic (cellulosic) fiber dubbed Zantrel. This latest entry in the crowded "miracle fiber" derby was developed under Japanese patents by US licensee Hartford Fiber Company, a division of Bigelow-Sanford Carpet Company. It unveiled Zantrel two weeks ago with a trade luncheon at Manhattan's super-fancy Four Seasons.

Zantrel's first use is in shirting, dress and suit fabrics brought out by Burlington Industries (as in the picture above) but Bigelow foresees "much broader end uses ranging from fine sheets to industrial fabrics." One problem: the FTC ruling all cellulose-based fibers must be labeled "rayon." The order is violently and so far vainly opposed by the makers of sundry new fibers who argue their products differ chemically and physically from less-appealing rayon. Zantrel is the biggest diversification move yet by carpeter Bigelow whose Hartford division has been producing a small amount of fibers for industrial and consumer fabrics. It also turns out Kolorbon, a rayon staple with the color built in, widely used in blended carpets.

In recent years financial statements of Bigelow-Sanford, as for most carpet makers, have hardly been of the type to rate "a Bigelow on the floor." But treasurer John A Donaldson predicts: "If you cross your fingers earnings for the full year 1959 may be something better than $2 a share" on 993,000 common shares v a $1,750,000 deficit in 1958.

Treasurer Donaldson continues: "Of course we don't expect the Hartford Fiber Division to contribute to earnings this year but we look for a profitable operation in a few years." Meantime the Bigelow common which last received a dividend two years ago has already recovered from last year's low of 7 to around 20 last week.

New Designs at Daystrom

Onetime Type Founder Sets New Face Toward Advances in Electronics

TUCKED AWAY in the Watchung Hills of suburban North Jersey at Murray Hill, a tree-studded half mile or so from the campus-like setting of AT&T's Bell Laboratories, is the trim one-story headquarters of $50,000,000-assets Daystrom Inc. In his sunny office, treasurer Roy Sandquist leafed through a bulging sheaf of statistics piled on his desk, then remarked happily: "There's only one trouble with these figures—we're running ahead of the budget."

Such a situation is always cause for corporate cheer but it is especially heartening for Daystrom, a onetime graphic arts specialist which in the postwar era restyled itself into a diversified manufacturer with a major interest in electronics only to run into a pattern of recession-intensified problems. The company began life in 1892 as American Type Founders Company and spent most of its first half century strictly in production of type faces, printing presses and other graphic arts equipment.

First diversification came in 1944 with the purchase of a small electrical equipment manufacturer named Frederick Hart & Company. In 1945 the company picked up a plastic & steel furniture line through Daystrom Furniture Corp. After a few years of operation under the cryptic initials ATF Inc, the company cut all ties to its original name when it adopted its present Daystrom title in 1951.

In recent years the change-over pace has quickened. Gyroscope maker American Gyro of Los Angeles was added in 1954, Weston Electrical Instrument of Newark and do-it-yourself electronic kit supplier Heath Company of Benton Harbor, Mich in 1955. The same year the original graphic arts business was sold.

In 1957 Daystrom acquired miniature motor and servo-mechanism maker Transicoil Corp and in August of last year it purchased instrumenteer Industrial Gauges Corp. The overall result: a wide range of industrial, consumer and military products, primarily in the electronics field.

However this drastic change from Daystrom's original type face did not work a similar transformation in financial statements. In the year ended March 1955 the company reported sales of $73,800,000 and earnings of $1,720,000 or $2.61 a share. In the next three transformative years sales first dropped to $63,200,000, then rose to $74,400,000 and hit $81,700,000 in the March 1958 year. Earnings fell to $2.01 a share (including a special 16¢ a share non-recurring profit), recovered to $2.77 in fiscal 1956/7 only to ease to $2.57 a share in 1957/8.

Last year the effect of the heavy expenses involved in Daystrom's corporate redesign was amplified by the recession plus a heavy special

charge to write off excessive and outdated inventory at Weston. As a result, while sales dropped only 5% to $76,600,000, earnings fell all the way to $1,200,000 or $1.32 a share (before a heavy non-recurring write-off of 70¢ a share).

Redesign Rebound. Despite the discouraging figures, the company determinedly continued its improvement program. It consolidated overlapping operations, researched new and restyled old products, invested in modern, money-saving facilities, broadened its sales methods and sales force. The improvement finally showed up in results for the first (June) quarter of the current year. On a 13% sales increase to $21,200,000, earnings more than doubled to 40¢ a share. For the full fiscal year finance vice president Bradford Blauvelt allows the budget calls for record sales of about $86,000,000, earnings in the neighborhood of $2.50 a share.

Anticipating the upturn, the 913,000 DYM common shares on the Big Board moved from 34 early this year to 49¾ in the Spring. Since then they have slipped back to around 40. This level equals about 14-to-16 times expected 1959/60 earnings compared to giddy ratios as high as 40-to-60 times earnings for some fellow electronicians.

Although the stock market has not given Daystrom a high-priced place in the electronics group, the company has proved its electronic mettle in industrial markets against such "names" as GE and Thompson Ramo Wooldridge. This Spring the company won the contract to supply

Daughter Heathkits-it-herself

a complete "closed loop" automatic controls system for the new Little Gypsy plant of Middle South's Louisiana Power & Light. The solid state computer system will start up the plant operation, run it at its highest efficiency, monitor changes in load demands and other information, make necessary decisions and in an emergency shut down the entire operation—all without human intervention.

The Systems division now has contracts for partially-to-completely automated plants for Carolina Power & Light, Kansas Gas & Electric and Gulf States Utilities. And with petroleum process specialist Universal Oil Products, Daystrom is applying computer - controlled techniques for "on stream" control of oil industry processes. According to Brad Blauvelt this phase of the

Systems division operations has necessitated a doubling of its engineering staff within the last four months.

But though systems provide the glamor, the bread & butter bulk of industrial sales comes from instruments and gauges. All together, industrial sales came to 35% of total Daystrom volume last year. This part of the business will represent a slightly smaller percentage this year because capital expenditures by Daystrom customers have not fully rebounded.

Daystrom constantly endeavors to come up with new and improved products in the instrument & gauge field. One recent example: a sort of instrument's instrument—a line of automatic calibration equipment used to check and calibrate other instrumentation automatically. The device will be a natural for gizmo-crowded missile bases, not to mention industrial labs and standardizing labs where precision instruments are used in volume. The line, which has a "pretty high price tag," has already brought in over $500,000 worth of orders.

Defense Doings. Although other Daystrom industrial instruments also have military applications, the company has not yet achieved the same electronics sophistication on systems for Uncle Sam as for industrial customers. Its military business (30% of 1958/9 sales, a larger percentage this year) is primarily derived from supplying a vast number of components for varied defense projects. Treasurer Sandquist charts: "We are working up into the sub-systems and systems areas, even though we don't have any such contract as a manager right now."

However, through its gyros, potentiometers and the like, the company is represented in almost every major missile and space project, does important work on equipment for antisubmarine warfare ("we can't tell you what we're doing but it's not what you see in the movies").

Currently Daystrom's backlog, which is mostly for military end-uses, stands at $30,000,000 and Roy Sandquist reports: "We have a lot of bids out, mostly in the medium-sized area of several million dollars each." One item which may be a boon if the Air Force proves enthusiastic: a "take-off" computer which analyzes all the variables in a jet's take-off pattern, indicates to the pilot whether he should continue with the take-off or bring the plane to a halt if ascent is not feasible.

Heath in Hi-fi. In the expanding field of consumer sales (35% of last year's volume) Daystrom also deals in "systems." But these are the uncomplicated sort even a seven-year old can understand (see picture). The Heath subsidiary is "the world's largest manufacturer of electronic equipment in kit form" —or the No 1 supplier of assemble-it-yourself components for hi-fi, stereo, amateur radio sets, etc.

Heath feeds on two fast growing trends, the popularity of hi-fi and stereo plus the make-your-own urge. But its business has grown even faster than either trend.

Roy Sandquist points out: "People are able to get better equipment

t lower cost this way. Anyone can uild his own set with our kit—'ve put four together and I never ad a soldering iron in my hand efore."

Originally the Heath kits were old exclusively through direct mail fforts but to tempt those who like o "go shopping and come home vith something," Daystrom has een building up a dealer organiza-ion throughout the country. It now as lined up over 150 dealer out-ets, hopes to double this in the ear future.

Another boost to sales will be)aystrom's new manufacturing sub-idiary in Britain which began op-ration last November. Daystrom lso has a small plant in West Ger-nany and facilities in Canada. So ar however these operations are ninor. All told, foreign manufac-uring and export operations (in-luding Canada) account for not uite 5% of revenues.

More unusual overseas represen-ation was recently accorded to)aystrom's furniture division which ommands a smaller but still impor-ant area of the company's consumer fforts. A Daystrom dinette set was he only entry in its class at the US exhibit in Moscow. Treasurer Sandquist reports "I haven't heard of any orders for a set from the Kremlin." But in its more usual home territory he notes: "Our furniture business is a good, steady and profitable one."

To keep the rest of its operations both good and growing the company continues its research, redesign and improvement program. This year the R & D budget calls for some $5,000,000-worth of company-sponsored study, another $3,500,000 paid for by the Government. Capital expenditures, largely for new machinery, will total $3-to-3,500,-000.

As more & more new products get out of the expensive introductory stage and effects of additions to technical staffs and facilities pay off, treasurer Sandquist feels Daystrom profit margins will gradually widen from their somewhat compressed state. "We expect an improvement in margins but it will be gradual—no big jump." Tracing this gradual growth over the next few years, vp Blauvelt figures Daystrom will be looking for sales of $110,000,000 by 1962/3 with earnings around $5 a share.

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GENERAL MOTORS RESEARCH TREE

The multi-branched tree sketched below has been designed by General Motors to show both the roots and the fruits of the immense research effort carried on through the General Motors Research Laboratories. The tree was planted nearly 40 years ago by the fabled Charles Franklin ("Boss") Kettering and has since been well-nourished and pruned. Consequently it has yielded more than its share to the revolutionary developments of US industry.

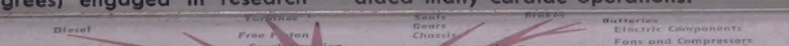
GM Labs research is imbedded in basic research. Most of the time no specific goals are set since each GM division (Cadillac, AC Spark Plug and so forth) has its own facilities for development. Long-range studies are the credo. A broad program from behavioral studies of metals via their atoms to "engineering psychology" (relating the driver's reaction to vehicle performance) provides a stockpile of information available to all GM divisions—and to the rest of the scientific world.

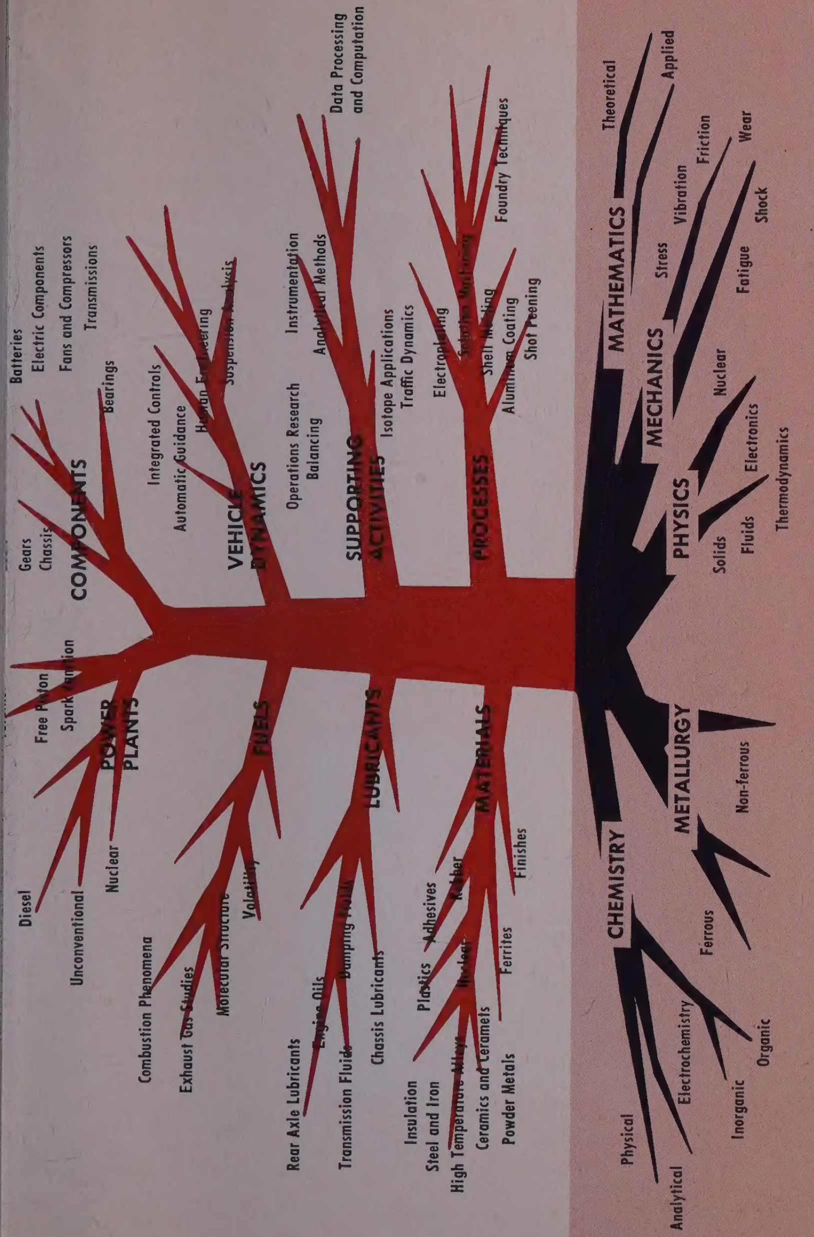
Research overseer is GM vice president Dr Lawrence Randolph Hafstad, an outstanding former Government Research & Development man who headed the AEC's Reactor Development division. A freshman in a giant corporation where 30 years service is commonplace among executives, 55-year-old physicist Hafstad joined GM just three years ago. He directs a staff of over 400 scientists and engineers (50 of them hold doctor's degrees) engaged in research affecting the engines, metals, finishes, lubricants and accessories which will go into vehicles and appliances of the future.

Many of the results have found their way into GM's "rolling laboratory"—*Firebird III*, the latest test car to act as guinea pig for practical use of the brainchildren. Underneath the Firebird's Buck Rogers chassis is an aluminum gas turbine engine operated by a single control stick for steering, accelerating and braking.

But typical of research laboratories, the main contribution at GM lies not in one finished product but in the important links it has provided in many chains of discovery. High-octane fuels, steel hardenability, high-temperature alloys and lacquer finishes were all studied and at least partially developed in the Labs.

Bending away from the horseless carriage field is the medical branch. Though it has sprouted relatively few twigs, they are important ones. Generally the studies germinate with a doctor who is doing research on a project but needs the help of a large organization to make headway. This was the case when Dr Forest D Dodrill discussed the possibility of an artificial heart with Charlie Wilson when the ex-Defense Secretary was still head of GM. The Labs undertook the problem. The resultant Dodrill-GMR mechanical heart and its successors have greatly aided many cardiac operations.





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DOWN WITH DREAMS!

The highly quotable Dr. Samuel Johnson wrote to Mrs. Thrale from Skye: "The use of travelling is to regulate imagination by reality, and, instead of thinking how things may be, to see them as they are."

A commendable notion, we think. We learned long ago that rose-colored glasses have no place in the securities business, that it is absolutely necessary to see things as they are instead of as they may be. That's why we have a large Research Department—to view the stock market in realistic, down-to-earth fashion and pass its observations along to our customers.

We think investors should always trust facts, not fancies—and that's where we come in. Our Research Department is prepared to help you regulate imagination by reality on request. All you have to do is write us a letter telling us how much money you would like to invest or what securities you own at present and indicating your major investment objective. The information you supply will be held in strictest confidence, and you'll receive an objective, conscientious, well-informed reply.

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